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Social Security Advisory Board
April Board meeting
April 24, 2015

Morning Executive Session

SSI asset limit. The Board discussed the draft SSI asset paper for areas of agreement so that a position could be endorsed. Members discussed whether 401(k)'s should be exempt from the asset limit. Members discussed the competing principles of encouraging retirement savings vs. having the taxpayer provide monetary support at the last possible moment.

401(k) withdrawal fee. Members had previously discussed whether 401(k) holders should have to pay a fee to withdraw money and a member pointed out that there is a hardship exemption to the fee in place already. A member stated that few people with 401(k)'s would apply for SSI since most would qualify for other programs such as SSDI.

Support for raising the asset limit. One member stated that for compassionate reasons and administrative improvement, the asset limit in place should be higher. If SSI is to be regarded as available only when all other resources have been exhausted, the implication is that the asset limit should be zero. The member pointed out that the asset limit is not indexed for inflation and has been shrinking since the last adjustment in 1989. The member asked what the limit should be. Another member stated that SSI recipients should be able to save a little bit to pay for emergencies. For SSI recipients subsisting on benefits, expenses are not always flat, so a higher asset limit could increase preparedness.

Opposition to raising the asset limit. A member pointed out that indexing for inflation is often done to protect earned income such as Social Security benefits, but the principle should be different with SSI. The member stated that if recipients can save enough to meet the threshold, perhaps they should not qualify for SSI. That member stated that savings should be spent down first so that the taxpayer is not on the hook.

Legislative history of SSI asset limit. Members discussed why Congress has not acted on this issue. Some suggested inertia and the low priority of this type of spending. Others suggested it was a purposeful decision related to other programs such as the EITC being introduced to encourage work. One member pointed out that those programs target the working poor as opposed to SSI which targets those unable to work. One member asked for the legislative history of the SSI asset limit. Staff agreed to research and provide this history.

What should the asset limit be? The Board discussed what the asset limit should be, if it should be raised, whether it should be indexed, and whether some small agreement could be reached.

Four members supported raising the limit, one supported indexing if there was unanimity, another suggested possible support tied to work incentives, and another did not weigh in.

Meeting with ACUS about ALJ hiring. Two members met with ACUS about a working group of which ACUS is a member and co-chair, which is looking at OPM's role in hiring Administrative Law Judges (ALJs). ACUS is interested in partnering with SSAB but one member noted that he believes that ACUS is hoping that SSAB will fund some of the research. The members supported ACUS, but are not going to provide money or staff. Members discussed collaborating with ACUS on a letter or a position statement.

Single Decision Maker (SDM). SSA and the Board have been looking at the SDM issue. SDM is used in 20 states. The DDSs support SDM because it is faster and costs less administratively. The SDM leads to a faster decision with at least equal accuracy, defined in terms of future reversals, but leads to a slightly higher allowance rate. The Board has been considering supporting SDM expansion, but there is not enough analysis of the tool and Steve Goss believes it will increase costs.

WEP/GPO. Kathleen Romig described the WEP/GPO issue and proposed policy changes in the Board's report. The WEP/GPO arises because many state and local workers were exempt from Social Security and got public pensions in its place. Some of these workers also had earnings covered by Social Security. Because Social Security is progressive, they would receive a higher replacement relative to workers whose whole career was covered by Social Security since their non-covered earnings are not used in the benefit calculation. To offset this, Congress enacted the WEP/GPO to adjust benefits for people with both covered and uncovered earnings. The reduction overcorrected from some people and undercorrected for others. At the time of enactment, data was unavailable to perform a calculation that was proportionate to the earnings in covered and non-covered work. The data will become available in 2017 and the report proposes to apply proportionate formulas to new retirees instead of the approximations in the WEP/GPO. This would reduce administrative burdens and save money. A second proposal would affect beneficiaries subject to current WEP and GPO rules. The second proposal could uncover previously unknown pensions and reveal large overpayments which may be politically unpopular to enforce.

Meeting with Chief Actuary Steve Goss

Working with SSAB's technical panel. SSA's actuaries (OCACT) will discuss projections with the technical panel. OCACT is particularly interested in the technical panel's analysis of two types of dispersion: income and mortality rate. They would like to get the panel's opinion on forecasting these variables.

WEP. OCACT has looked at proposals to change the WEP formulas. New formulas could raise or lower benefits for certain groups. Changes could be made to current beneficiaries or could be done prospectively based on eligibility. There are about two million people subject to WEP and a couple million who should be WEP'd. Currently, the onus is on the individual and employer to report receipt of a non-covered pension. Data will be available after 2017 to calculate the adjustments for non-covered work. Congressman Brady would like to make the adjustments retroactive. SSA will continue to use current WEP rules unless the beneficiary can get a statement verifying he or she is not entitled to a pension. Limiting the new formulas to prospective beneficiaries would be an administrative plus for SSA since no new resources would need to be expended.

SDM. Mr. Goss stated that the SDM leads to initial DDS allowances being 3.44 percentage points higher. For the additional cases allowed, many would have been allowed at a later stage. This higher approval rate would lead to about 1.1% higher costs for SDM. There is no evidence that accuracy is better or worse.

Reversals. Mr. Goss stated that although nobody knows the exact mix of reasons for cases being reversed, aging and deterioration explain a big part of why applicants are found disabled at a hearing but not at the initial determination. Twenty three percent of cases are marginal decisions that could subjectively be allowed or denied. Some examiners and states have higher allowance rates—leading to differing appeal rates.

Reconsideration Level. One member stated that absence of reconsiderations pushes more cases to appeals. Between 10-15% of reconsiderations are allowed. Some claimants who are denied at the initial and reconsideration level are discouraged from further appeal. For those who decide to appeal an initial determination, the queue is shorter when there is reconsideration. In order to reinstate the reconsideration level, SSA would need to allocate resources to the affected DDSs. In sum, reconsideration determinations are processed sooner than hearings and quicker decisions mean lower administrative costs. However, reinserting the reconsideration level creates further delay for the people who ultimately appeal to the hearings level.

Meeting with Acting Commissioner Carolyn Colvin

Vision 2025. *Vision 2025* will be released on April 27. Ms. Colvin stated that the priority in *Vision 2025* is to provide a superior customer experience. She said that lengthy wait times have hurt service.

Managing personnel. Ms. Colvin talked about how she wants to focus on employees as they are the most important assets of SSA. She said that when she first arrived, employees were not getting enough training. She discussed how employees need knowledge and experience. She wants to keep employees enthusiastic.

Enhancing leadership performance. Ms. Colvin stated that she is pushing senior executives to show more leadership - they are not used to making decisions and they need to start coming to her with recommendations. She said that managers will become better if they learn how to lead people.

Systems. Ms. Colvin stated that Systems is important and another priority. She said that she will not talk in detail about Systems because it is not her expertise. She recommended that the Board invite Rob Klopp if they would like to discuss more. She said that online SSN replacement cards will start in 2015 or 2016. She questioned whether the card is needed at all. She said it might be sufficient to file and keep the letter. Ms. Colvin stated that other services will soon be added to *mySSA*.

Disability evaluation process. A board member stated that a disability evaluation process should have a decision within three to four months – the process should not spread over years. Ms. Colvin responded by saying that she knows that SSA cannot keep doing what it has been doing. Ms. Colvin added that it can take two years for a hearing. She said that SSA is one of the very few agencies that is required to have an ALJ review the case.

Hiring senior executives. Ms. Colvin stated that she does not have authority to permanently instate executives because she is only the *acting* commissioner. She asked the Board to help her find people who can work with her staff.

Fraud. Ms. Colvin stated that fraud is becoming more visible. SSA does prosecute it but she thinks there needs to be stronger sentencing such as jail time. SSA should not be in the prosecution business. She also stated that fraudsters should not be able to discharge debts to SSA through bankruptcy.

Treasury Offset Program. Ms. Colvin stated that SSA is required by law to collect overpayments via tax offset and she cannot stop the program without legislation from Congress. The concern is that individuals were not given due process since the overpayment notifications were often sent to the wrong addresses. While she has halted the offset, it does not mean that the overpayments are not due. She added that individuals should not be held accountable for benefit payments paid when the beneficiary was a minor. Although the collection efforts have been suspended and no one is coming after her, it would be a violation to suspend forever. Staff asked how SSA can show that the minor received the benefits payments. Ms. Colvin responded by saying that the child benefited by living in that household. Ms. Colvin explained how the repayment letter first gets sent to the oldest child, and if that child does not pay, the overpayment is attributed to the next oldest child. SSA now uses LexisNexis to find correct addresses. Ms. Colvin said that notice is sent to both representative payees and parents. A board member asked if there is a limitation to say that children are not responsible. Ms. Colvin stated that changing the Social Security Act will probably be required. The actuaries estimate that relatively little money will be retrieved from this program. Staff then asked if this was because most of the overpayments would be waived. Ms. Colvin said that she was not really sure of the reason.

Representative payees. Ms. Colvin stated that SSA has 5 million unpaid representative payees. VA pays their payees but they do not have as many. Criminal offenses bar an applicant from becoming a representative payee.

Closing thoughts. Ms. Colvin said she welcomes the thoughts of the Board. She asked the Board to inform her of hot spot issues. She mentioned that the Board is going in a different direction than she is on the SDM and said that they should have a conversation. They should also discuss reconsideration with her.

Afternoon Executive Session

UI/DI offset proposals. The Board discussed options for weighing in on the proposals to offset UI and DI benefits. One member suggested four positions the Board could take: 1) pro-Hatch, 2) pro-Administration, 3) status quo, and 4) a pros and cons paper. UI replaces 47 percent of income on average and generally lasts between 20 to 30 weeks. Staff agreed to create a table comparing the proposals.

WEP/GPO. Staff agreed to send out a draft of the WEP/GPO. Board members have until May 4 to respond with comments.

SDM paper. The Board decided to change the conclusion of its paper to "no clear conclusion." The Board must figure out how to weigh the competing factors: processing time, accuracy, allowance rate, and having a unified process. Staff will contact Ms. Colvin to determine if she would like to discuss it further.

Systems modernization. The Board added systems modernization issues to the list of future board projects.

Representative payee issues. The Board discussed the difficulties of tracking representative payees who misuse funds. One board member said the agency needs to find a way to get more representative payees. She suggested that the nonprofit model with many payees may not be the best model. The board member agreed to come up with some ideas for improving the process.

Treasury Offset Program (TOP). The Board discussed Ms. Colvin's strong position that the agency was obligated by law to collect payments. Although collection is suspended, SSA's position is that they must proceed at some point. The Board discussed the class action case. SSA had been collecting payments without fulfilling due process notification requirements. SSA was using old databases for addresses, under policy that did not make sense, and ended up making the agency look bad. Staff will keep the Board apprised of the class action case against SSA's collection of old debts from children.

Standardized procedures for DI appeals. The Board discussed whether SSA should develop standardized procedures for representatives to follow. One board member suggested that representatives should have to meet deadlines to get paid. Staff pointed out that representatives may be unable to meet deadlines due to medical providers being unresponsive.

Return-to-work efforts. The Board discussed return-to-work efforts. One member stated that SSA should not have this role since it is not a social services agency. The Board discussed the topic as part of the solvency report since return-to-work reform efforts are often tied to disability legislation.

SDM. The Board discussed the SDM proposal and Ms. Colvin's opposition to it. The staff memo supported expansion, but there was agreement that there was not enough analysis or data about the program to form a strong opinion. The Board was hesitant to pick a fight with Ms. Colvin. The Board discussed laying out the pros and cons. The Board is going to discuss further and let Ms. Colvin know the SSAB position.

Solvency Report. The Board discussed creating a timeline for the solvency report. Staff will present a project plan to the Chair.